

Abstract

Overweight and obesity are a global problem, especially in the developed countries such as the Czech Republic. A sin food tax on products contributing to the creation and expansion of this problem, is a measure which many states have chosen. In the Czech Republic, any sin food tax has never been implemented. The aim of the thesis is to evaluate possible impact of such tax on soft drinks. The key indicator which must be estimated is the own-price elasticity of demand for soft drinks. The data used for the thesis are provided by Czech Statistical Office and contains Household Budget Survey Data from years 2002-2007. Almost Ideal Demand System with the implementation of Shonkwiler and Yen's estimator is evaluated as the most suitable model. The final own-price elasticity is -1.3580, which suggests that the possible increase in Value Added Tax for soft drinks may be efficient. Moreover, it was simulated that there would be a stronger effect in case of lower-income households, where higher prevalence of overweight and obesity is proven.